



Life & Health



RATE & FORM

Rate and Form Review Unit

*E*very life insurance policy, health insurance policy, dental plan contract, annuity contract and health maintenance organization contract used in the State of Maryland must be submitted to the Insurance Commissioner for prior approval. It is the responsibility of the Rate and Form Review Unit to review these filings to determine compliance with Maryland law, regulations and rules. In addition, this Unit reviews ancillary filings such as provider contracts, advertising marketing materials, and internal grievance procedures.

A major responsibility of this Unit is the review of initial health insurance rate filings to ensure that the rates are not excessive, inadequate, or unfairly discriminatory. This Unit is also responsible for reviewing the rates and annual filings required of all insurers in the Medicare supplement market to determine compliance with mandated minimum loss ratio requirements. Life insurance and annuity actuarial memoranda are reviewed to determine that nonforfeiture benefits are in compliance with the statutes. Credit life and disability insurance rate filings are reviewed to ensure compliance with the applicable regulations. Insurers issuing credit life and disability must file detailed annual reports regarding their operations. These reports are reviewed to determine whether the rate standards are being adhered to and whether revisions may be in order. Insurers issuing Medicare

supplement policies, long term care policies and specified disease policies are also required to file annual reports that justify compliance with loss ratio requirements.

The administration of the Dental Plan Organization Act, as well as the granting of special annuity permits to qualifying organizations are other functions. In addition, applications for variable product authority are reviewed and recommendations are made regarding a company's ability to write these lines of business.

The Unit works closely with the Consumer Complaint Investigation Section in handling consumer complaints which call for technical expertise. The review of legislative proposals and the development or regulations are an essential part of the Unit's responsibility.

LIFE & HEALTH STATISTICAL DATA

Forms Received:	FY 2000	FY 2001
Life	4,162	3,871
Health	5,653	6,093
Annuity	2,148	2,472
Credit	334	591
Reports Received	522	447
Rate Filings	1,234	1,579
Actuarial Memos Reviewed	821	1,045
Rate Deviations	200	166
Advertising	733	744
Inquiries From The Public (Telephone)	974	1,341
Calls From Ins. Companies	4,933	6,839
Internal Grievance Documents Filed	16	4

MARKET CONDUCT

Market Conduct Unit

The Life and Health Market Conduct Unit began operations in September, 1985. The Unit was formed to complement financial examinations by examining the nonfinancial activities of Life and Health insurance companies.

Market conduct examiners review company operations to determine how the company operates in the market place. The examiners' review includes, but is not limited to, sales practices, advertising materials, underwriting practices and claims handling practices. Examinations often help alert companies to problems and serve as a form of consumer protection. The examination report presents a detailed analysis of a company's general business practice.

In 1999, the Unit began to focus on conducting Target Examinations. These examinations are targeted to a specific statute, regulation or business practice. Some examples of targeted examinations include compliance with Maryland's prompt pay statute and small group reform.

The Unit's responsibilities include the examination of all Life and Health insurers, including HMOs, dental plans, vision plans, not-for-profit organizations and private review agents. The Unit works closely with the Life & Health Agent Investigation Unit in examining agent records as part of the market conduct examination process.

The cost of market conduct examinations is borne by the insurers. The cumulative amount billed to Life and Health companies in FY 2000 was \$394,680.34. In FY 2001, the total amount billed to Life and Health companies was \$560,616.

There were 24 Market Conduct Examination reports filed in FY 2000 and 15 company examinations were in progress as of June 30, 2000. In FY 2001, there were 18 completed Market Conduct Examinations and reports filed and 19 company examinations were in progress as of June 30, 2001.

FY 2000 LIFE & HEALTH MARKET CONDUCT CONSENT ORDERS

COMPANY NAME	PENALTY AMOUNT	EFFECTIVE DATE
Jefferson-Pilot Life Ins. Co.	\$25,900	07/22/99
New York Life Ins. Co.	\$15,800	07/26/99
Metropolitan Life Ins. Co.	\$36,000	08/03/99
United Healthcare of Mid-Atlantic	\$13,700	08/05/99
Dominion Dental Services, Inc.	\$5,000	08/23/99
Paul Revere Life Ins. Co.	\$15,000	09/24/99
Paul Revere Protective Life	\$10,000	09/24/99
Paul Revere Variable Annuity	\$10,000	09/24/99
Allstate Life Insurance Company	\$14,900	09/28/99
Sai Med Health Plan, Inc.	no fine	10/07/99
CIGNA Healthcare Mid-Atlantic, Inc.	\$22,300	10/15/99
United Wisconsin Life Ins. Co.	\$45,000	10/27/99
Montgomery Ward Life Ins. Co.	\$6,400	11/05/99
Travelers Ins. Co.	\$15,200	11/12/99
Harbor Financial Group (McDuffie)	Cease & desist	11/15/99
Union Labor Life Ins. Co.	\$11,600	11/18/99
Guardian Life Ins. Co. of America	\$25,000	12/03/99
Monumental Life Ins. Co.	\$19,200	12/03/99
SLS Enterprises, Inc.	no fine	12/15/99
New England Mutual Life Ins. Co.	\$20,000	01/19/00
First Investors Life Ins. Co.	\$2,500	01/27/00
Glenbrook Life and Annuity	\$2,500	01/27/00
Northbrook Life	\$2,500	01/27/00
Acacia National Life Ins. Co.	\$2,500	02/08/00
Allmerica Financial Life and Annuity	\$2,500	02/08/00
American Franklin Life	\$2,500	02/08/00
American Life Ins. Co. of NY	\$2,500	02/08/00
American National Ins. Co.	\$2,500	02/08/00
GE Life and Annuity Assur. Co.	\$2,500	02/08/00
General American Life Ins. Co.	\$2,500	02/08/00
Hartford Life and Annuity Ins. Co.	\$2,500	02/08/00
Hartford Life Ins. Co.	\$2,500	02/08/00
Kansas City Life Ins. Co.	\$2,500	02/08/00
Kemper Investors Life Ins. Co.	\$2,500	02/08/00
Lincoln National Life Ins. Co.	\$2,500	02/08/00
New England Life	\$2,500	02/08/00
Northwestern Mutual Life	\$2,500	02/08/00
Paragon Life	\$2,500	02/08/00
Penn Mutual Life Ins. Co.	\$2,500	02/08/00

Protective Life Ins. Co	\$2,500	02/08/00
Reliastar Life Ins. Co.	\$2,500	02/08/00
Security Life of Denver	\$2,500	02/08/00
Southland Life Ins. Co.	\$2,500	02/08/00
State Farm Life Ins. Co.	\$2,500	02/08/00
American General Life	\$2,500	02/09/00
Business Men's Assur.	\$2,500	02/09/00
Lutheran Brotherhood Variable	\$2,500	02/09/00
United of Omaha Life Ins. Co.	\$2,500	02/09/00
Valley Forge Life Ins. Co.	\$2,500	02/09/00
Pennsylvania Dental Service Corp.	\$2,500	02/11/00
CM Life Ins. Co.	\$2,500	02/14/00
London Pacific Life & Annuity	\$2,500	02/14/00
Massachusetts Mutual Life	\$2,500	02/14/00
MML Bay State Life	\$2,500	02/14/00
Principal Life Ins. Co.	\$2,500	02/14/00
Minnesota Life Ins. Co.	\$2,500	02/15/00
Ohio National Life Assur. Co.	\$2,500	02/15/00
Liberty Dental Care of MD, Inc.	no fine	02/16/00
Merrill Lynch Life	\$2,500	02/18/00
Aetna US Healthcare	\$15,800	02/24/00
Lincoln Benefit Life Ins. Co.	\$2,500	02/24/00
Sentry Life Ins. Co.	\$2,500	03/07/00
Kaiser Foundation Health Plan	\$225,000	04/26/00
Magellan Behavioral Health, Inc.	\$300,000 (\$150,000 stayed)	04/26/00
United Healthcare of Mid-Atlantic	\$400,000 (\$150,000 stayed)	04/26/00
Free State Health Plan, Inc.	\$75,000	04/26/00
Aetna US Healthcare, Inc. (DE)	\$225,000	04/26/00
Free State Health Plan, Inc.	no fine	05/12/00
MD-IPA, Inc. (Sinai)	no fine	05/12/00
Optimum Choice, Inc. (Sinai)	no fine	05/12/00
Prudential Health Care Plan, Inc. (Sinai)	no fine	05/12/00
CareFirst of Maryland, Inc.	\$15,000	05/25/00
TOTAL	\$1,666,800	

FY 2001 LIFE & HEALTH MARKET CONDUCT CONSENT ORDERS

COMPANY NAME	PENALTY AMOUNT	EFFECTIVE DATE
Preferred Health Network	\$25,000.00	07/24/00
Banner Life Insurance Co.	\$15,000.00	07/31/00
Citizen Security Life Insurance Co.	\$3,000.00	11/13/00
CM Life Ins. Co.	\$3,000.00	11/13/00
Farm Family Life Insurance Company	\$2,500.00	11/13/00
Massachusetts Mutual Life	\$3,000.00	11/13/00
Medamerica Insurance Company	\$3,000.00	11/13/00
MML Bay State Life	\$3,000.00	11/13/00
Optimum Choice, Inc.	no fine	11/13/00
American Fidelity Life Ins. Co.	\$3,000.00	11/15/00
CareFirst of Maryland, Inc.	\$3,000.00	11/15/00
Employers Health Ins. Co.	\$12,500.00	11/15/00
Graphic Arts Benefit Corporation	\$2,500.00	11/15/00
Group Hosp. and Med. Services	\$3,000.00	11/15/00
Illinois Mutual Life Insurance Company	\$3,000.00	11/15/00
Ohio National Life Assur. Co.	\$3,000.00	11/15/00
Ohio National Life Ins. Co.	\$3,000.00	11/15/00
Penn Treaty Network America Ins. Co.	\$3,000.00	11/15/00
Standard Life Ins. Co. of Indiana	\$3,000.00	11/15/00
CIGNA Healthcare Mid-Atlantic, Inc.	no fine	11/16/00
Life USA Insurance Company	\$3,000.00	11/16/00
Capital Care, Inc.	no fine	11/17/00
Delmarva Health Plan, Inc.	no fine	11/17/00
Fidelity Insurance Company	\$2,500.00	11/17/00
Free State Health Plan, Inc.	no fine	11/17/00
Medical Life Insurance Company	\$3,000.00	11/17/00
Coventry Health Care of Delaware, Inc.	no fine	11/21/00
North Carolina Mutual Life Ins. Co.	\$3,000.00	11/21/00
Equitable Life Ins. Co. of Iowa	\$3,000.00	11/22/00
Free State Health Plan, Inc.	\$7,500.00	11/22/00
London Pacific Life & Annuity	\$5,000.00	11/22/00
Prudential Health Care Plan, Inc.	no fine	11/22/00
United Life and Annuity Company	\$2,500.00	11/22/00
USG Annuity & Life Company	\$3,000.00	11/22/00
Ameribest Life Insurance Company	\$2,500.00	11/28/00
American General Assurance Co.	\$3,000.00	11/28/00
American General Life Ins. Co. of PA	\$3,000.00	11/28/00
M.T.L. Life Insurance Co.	\$3,000.00	11/28/00
Corporate Health Insurance Co.	\$3,000.00	11/30/00
Chesapeake Life Insurance Company	no fine	12/08/00
Colorado Bankers Life Insurance Co.	no fine	12/08/00
Fidelity Life Association	no fine	12/08/00
MEGA Life & Health Ins. Co.	no fine	12/08/00
Mid-West National Life Ins. Co. of TN	no fine	12/08/00

Security Benefit Life Ins. Co.	no fine	12/11/00
Paul Revere Life Ins. Co.	no fine	12/12/00
Anchor National Life Ins. Co.	\$3,000.00	12/13/00
Sunamerica Life	\$3,000.00	12/13/00
Harleysville Life Insurance Company	no fine	12/15/00
Life & Health of America	no fine	12/15/00
Northern Life Ins. Co.	no fine	12/22/00
Baltimore Life Ins. Co.	\$7,500.00	12/27/00
CIGNA Healthcare Mid-Atlantic, Inc.	\$25,000.00	01/11/01
United Healthcare of Mid-Atlantic	\$30,000.00	01/19/01
MEGA Life & Health Ins. Co.	\$25,000.00	01/22/01
Mid-West National Life Ins. Co. of TN	\$25,000.00	01/22/01
Golden Rule Ins. Co.	\$50,000.00	02/06/01
Aetna US Healthcare	\$25,000.00	02/08/01
American National Ins. Co.	\$10,000.00	03/01/01
United American Insurance Co.	no fine	03/23/01
Dominion Dental Services, Inc.	\$20,000.00	03/29/01
Free State Health Plan, Inc.	\$40,000.00	03/29/01
Regal Life Ins. Co.	\$5,000.00	04/30/01
Free State Health Plan, Inc.	no fine	05/14/01
Bellwether Management Systems, Inc.	\$1,000.00	05/16/01
Conseco Medical Ins. Co.	\$25,000.00	05/23/01
Aetna US Healthcare	\$250,000.00	06/07/01
Cigna Dental Health of Maryland	\$25,000.00	06/19/01
Dental Benefit Providers of Maryland, Inc.	\$75,000.00	06/22/01
TOTAL	\$788,000.00	

AGENTS & AGENCIES

Agent Enforcement Unit

The Life and Health Agent Enforcement Unit conducts investigations of agents and unauthorized entities. Market conduct examinations are frequently initiated based upon violations discovered during agent investigations. Conversely, investigations of agents have proceeded based upon the findings of market conduct examinations. The Unit also assists the Assistant Attorney general in the presentation of cases at the Office of Administrative Hearings.

During FY 2001, the Unit was incorporated into the section's Market Conduct Unit. The change reflects the interaction between the units. To effectively monitor the market conduct of carriers, it is necessary to review the acts of the agents who do the actual selling. By combining the Units, it allows a proactive approach and offsets some of the expenses by conducting a joint market conduct exam.

Included among the unit's accomplishments in FY 2000 are the following:

- Actively participating in the agent portion of market conduct exams by traveling to the exam site and reviewing complaints against agents, then gathering the material necessary to proceed to an administrative hearing which frequently involves interviewing the insureds;

- Assisting in the investigation of a Third Party Administrator who was administering health insurance nationwide, resulting in issuance of a cease and desist order;

- Conducting investigations resulting in over \$600,000 in restitution to Maryland citizens;

- Establishing the procedures for target market conduct exams concerning agents is a primary goal of the unit. This is a proactive process that benefits consumers, rewards agents who comply with the Insurance Article and encourages carriers to take action against unscrupulous agents.

Included among the unit's accomplishments in FY 2001 are the following:

- Obtained refund offers for approximately 240 recent immigrants who felt they were misled when they were sold life insurance as an investment. The agent had supposedly promised a return of 12% and immediate access to the funds "just like a bank." Approximately \$300,000 was refunded.

- Conducted an investigation of two nationwide unauthorized ERISA TPAs which resulted in cease and desist consent orders.

Thousands of individuals were effected due to the failure of the TPAs to pay health claims.

- Participated in the review of thousands of policy files during a market conduct exam of a major insurer. Assisted in writing the market conduct report and will continue to pursue the agent investigation cases and possibly proceed to Hearings.
- Conducted investigations resulting in over \$784,350 restitution to Maryland citizens.

Statistical Data – FY 2000 & 2001		
	FY 2000	FY 2001
Investigations assigned.	300	239
Investigations closed	262	207
Life cases	146	137
Health cases	49	59
Misrepresentation-	17	-
Replacement cases (included in Life cases)	26	-
Unauthorized insurers, fraud and others	50	43
Investigations open.	23	67
Consent Orders.	9	20
Orders Issued.	33	19
Revocations	9	11
Suspensions and Fines	24	13
Cases pending Review of Legal Sufficiency		24

MEDICAL DIRECTOR/PRA

Medical Director/Private Review Agent Oversight Unit

The Medical Director/Private Review Agent Oversight Unit became a division of the Life and Health Section of the Maryland Insurance Administration in October 1999. The Unit performs two important regulatory functions arising out of House Bill 3, Chapter 112 of the Acts of the General Assembly of 1998, now codified in Title 15, Subtitles 10A through 10C of the Insurance Article of the Annotated Code of Maryland. Specifically, the Unit is responsible for reviewing the qualifications of applicants seeking certification as a Medical Director of a health maintenance organization (HMO) or Private Review Agent.

In accordance with Title 15, Subtitle 10C of the Insurance Article, the Maryland Insurance Administration was granted specific authority to certify Medical Directors of HMOs. Each HMO licensed in Maryland must have at least one Medical Director. Medical Directors of HMOs require a Certificate of Qualification issued by the Commissioner to perform their duties.

The Medical Director/Private Review Agent Oversight Unit is responsible for reviewing the qualifications of applicants seeking certification as a medical director of a health maintenance organization or private review agent.

Every physician employed or under contract with an HMO who is responsible for the establishment of policies and procedures for quality

assurance and utilization management, compliance with quality assurance and utilization management policies and procedures, and oversight of utilization review decisions of Private Review Agents employed or under contract with the health maintenance organization must be certified by the Commissioner. The Compliance Analysts and the Director of the Medical Director/Private Review Agent Oversight Unit ensure that physicians designated as medical directors meet the statutory and regulatory requirements for certification by the Commissioner.

The Medical Director/Private Review Agent Oversight Unit is also responsible for review of applications for private review agent certification. Any person or entity conducting utilization review that is either affiliated with, under contract with or acting on behalf of a Maryland business entity or a third party that pays for, provides or administers health care services to citizens of this State must receive a certificate of registration from the Commissioner. Utilization review is the system for reviewing the appropriate and efficient allocation of health services given or proposed to be given to a patient or group of patients.

In order to ensure compliance with Maryland's laws and regulations, the Medical Director/Private Review Agent Oversight Unit is responsible for drafting orders for violations of the Insurance Article and the Code of Maryland Regulations. The Medical Director/Private Review Agent

Oversight Unit works closely with the Market Conduct and Appeal and Grievance Units during market conduct examinations and in handling consumer complaints that require technical expertise.

The Medical Director/Private Review Agent Oversight Unit is also involved in the development of regulations and review of legislative proposals